



THE ORTHODOX CHURCH IN AMERICA

Financial Statements
With Independent Auditors' Report

December 31, 2014 and 2013

THE ORTHODOX CHURCH IN AMERICA

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INDEPENDENT AUDITORS' REPORT

Metropolitan Council
The Orthodox Church in America
Syosset, New York

We have audited the accompanying financial statements of The Orthodox Church in America, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orthodox Church in America as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

New York, New York
October 22, 2015

THE ORTHODOX CHURCH IN AMERICA

Statements of Financial Position

	December 31,	
	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 889,199	\$ 840,095
Assessments and other accounts receivable, net	92,505	160,057
Bequests receivable	554,747	525,025
Prepaid expenses	24,856	23,027
Investments:		
Unrestricted	30,099	28,674
Archives fund	209,563	-
Endowment pool fund	477,396	472,611
St. Andrew endowment fund	103,310	102,679
FOS endowment fund	68,924	68,543
Annuity and unitrust agreements	168,204	381,122
Cash restricted for endowment	90,094	90,094
Property and equipment, net	296,887	259,762
Total Assets	\$ 3,005,784	\$ 2,951,689
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,139	\$ 124,303
Deferred income	52,966	-
Loans payable	43,246	35,598
Retirement obligation	47,710	54,178
Annuity and unitrust agreements	134,035	186,098
Total liabilities	365,096	400,177
Net assets:		
Unrestricted:		
Undesignated (deficit)	(189,955)	(233,871)
Invested in property and equipment	274,839	259,762
Total unrestricted	84,884	25,891
Temporarily restricted	1,529,106	1,502,372
Permanently restricted	1,026,698	1,023,249
Total net assets	2,640,688	2,551,512
Total Liabilities and Net Assets	\$ 3,005,784	\$ 2,951,689

See notes to financial statements

THE ORTHODOX CHURCH IN AMERICA

Statements of Activities

Year Ended December 31,								
2014				2013				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
OPERATING SUPPORT, REVENUE AND RECLASSIFICATIONS:								
Support:								
General contributions	\$ 71,614	\$ 3,000	\$ 2,480	\$ 77,094	\$ 127,572	\$ 5,520	\$ -	\$ 133,092
Fellowship of Orthodox Stewards	-	34,628	-	34,628	-	60,435	-	60,435
Missions	-	3,599	-	3,599	-	27,618	-	27,618
Seminary	-	10,363	-	10,363	-	27,144	-	27,144
Charity	-	1,316	-	1,316	-	1,487	-	1,487
Donated services	280,400	-	-	280,400	-	-	-	-
Total support	352,014	52,906	2,480	407,400	127,572	122,204	-	249,776
Revenue:								
Assessments	1,943,943	-	-	1,943,943	2,001,762	-	-	2,001,762
Other revenue	28,689	-	-	28,689	68,585	-	-	68,585
Total revenue	1,972,632	-	-	1,972,632	2,070,347	-	-	2,070,347
Reclassifications:								
Satisfaction of restrictions	77,151	(77,151)	-	-	129,825	(129,825)	-	-
Total Operating Support, Revenue and and Reclassifications	2,401,797	(24,245)	2,480	2,380,032	2,327,744	(7,621)	-	2,320,123

(continued)

See notes to financial statements

THE ORTHODOX CHURCH IN AMERICA

Statements of Activities (continued)

Year Ended December 31,

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING EXPENSES:								
Program services	1,167,994	-	-	1,167,994	905,682	-	-	905,682
Supporting activities:								
General and administrative	1,022,226	-	-	1,022,226	1,312,494	-	-	1,312,494
Development	158,540	-	-	158,540	183,511	-	-	183,511
Total supporting services	1,180,766	-	-	1,180,766	1,496,005	-	-	1,496,005
Total Operating Expenses	2,348,760	-	-	2,348,760	2,401,687	-	-	2,401,687
Change in Net Assets From Operations	53,037	(24,245)	2,480	31,272	(73,943)	(7,621)	-	(81,564)
OTHER CHANGES IN NET ASSETS:								
All-American council income	-	50	-	50	-	-	-	-
Net investment income	3,082	4,576	-	7,658	6,075	322	-	6,397
Change in actuarial value of annuities and unitrusts	2,874	46,353	969	50,196	15,837	3,250	1,289	20,376
Change in Net Assets	58,993	26,734	3,449	89,176	(52,031)	(4,049)	1,289	(54,791)
Net Assets, Beginning of Year	25,891	1,502,372	1,023,249	2,551,512	77,922	1,506,421	1,021,960	2,606,303
Net Assets, End of Year	\$ 84,884	\$ 1,529,106	\$ 1,026,698	\$ 2,640,688	\$ 25,891	\$ 1,502,372	\$ 1,023,249	\$ 2,551,512

See notes to financial statements

THE ORTHODOX CHURCH IN AMERICA

Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 89,176	\$ (54,791)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,520	28,434
Amortization of mortgage closing costs	-	3,075
Net realized and unrealized (gain) loss on investments	1,229	4,699
Assumption of loan payable	-	42,798
Change in actuarial value of annuities and unitrusts	(50,196)	(20,376)
Changes in:		
Assessments and other accounts receivable, net	67,552	41,417
Bequests receivable	(29,722)	39,296
Prepaid expenses	(1,829)	(8,285)
Accounts payable and accrued expenses	(37,164)	3,102
Retirement obligation	(6,468)	(14,072)
Deferred revenue	52,966	-
Net Cash Provided by Operating Activities	<u>118,064</u>	<u>65,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	544,332	369,471
Purchase of investments	(551,295)	(377,569)
Purchase of property and equipment	(37,896)	-
Net Cash Used by Investing Activities	<u>(44,859)</u>	<u>(8,098)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loan principal	<u>(24,101)</u>	<u>(66,816)</u>
Net Cash Used by Financing Activities	<u>(24,101)</u>	<u>(66,816)</u>
Change in Cash and Cash Equivalents	49,104	(9,617)
Cash and Cash Equivalents, Beginning of Year	<u>840,095</u>	<u>849,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 889,199</u>	<u>\$ 840,095</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest on debt - none capitalized	<u>\$ -</u>	<u>\$ 1,285</u>
Purchases of equipment	\$ 69,645	\$ -
Less: Equipment purchases funded by debt	<u>(31,749)</u>	<u>-</u>
Cash paid for equipment	<u>\$ 37,896</u>	<u>\$ -</u>

See notes to financial statements

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

1. NATURE OF ORGANIZATION:

The Orthodox Church in America (Church) was originally founded as a mission and later became a diocese in the Orthodox Church of Russia, uniting in its fold Orthodox Christians of various national backgrounds and traditions. It subsequently developed into a self-governing Metropolitanate, the Russian Orthodox Greek Catholic Church of America. Confirmation as an Autocephalous Church was accomplished by the action of the Patriarch and Holy Synod of Russia on April 10, 1970. The Church was proclaimed an Autocephalous Church on October 19, 1970, at the sessions of the All-American Council held at St. Tikhon's Monastery in South Canaan, Pennsylvania.

The Church is an Autocephalous Church with territorial jurisdiction in the United States of America and the Commonwealth of Canada. Its doctrine, discipline, and worship are those of the One, Holy, Catholic, and Apostolic Church as taught by the Holy Scriptures, Holy Tradition, the Ecumenical and Provincial Councils, and the Holy Fathers.

The Church is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Church has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. The Church's revenues are derived primarily from contributions and assessments.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of the Church are presented on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Church considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. Certain items meet the definition of cash equivalents but are part of a larger pool of investments and are classified as investments in the statements of financial position. While at times cash balances may exceed federally insured (FDIC) limits, the Church has not experienced any losses in such accounts. Management does not believe it is exposed to any significant risk on these accounts.

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE

Assessments and other accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are expected to be collected within one year, and are therefore recorded at net realizable value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable.

INVESTMENTS

Investments are reported at fair value with gains and losses included in the statements of activities in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Donated investments are reflected as contributions at their fair market values at date of receipt. Adjustments to the carrying value of investments are reported in statements of activities as a component of net investment income.

The Church maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs have the lowest priority. The Church uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. The Church capitalizes assets with a cost basis (or fair value for donated assets) of \$3,000 or greater, and expenditures for repairs and maintenance are expensed when incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reported as income. Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Building and improvements	40 years
Furniture, fixtures, and equipment	3 to 10 years
Software	3 years

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Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ANNUITY AGREEMENTS

The Church established gift annuities whereby donors may contribute assets in exchange for the right to receive an annual return during their lifetime. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the amount of the annuity and the liability for future payments, determined on an actuarial basis, is recognized as income at the date of gift. The actuarial liability for annuities payable is evaluated annually (giving effect to investment income and payments to annuitants) and any surplus or deficiency is recognized as change in actuarial value of annuities and unitrusts in the statements of activities. Assets held for annuities payable totaled \$89,954 and \$93,032 at December 31, 2014 and 2013, respectively. The present value of the remaining future liability to be distributed by the Church at December 31, 2014 and 2013, is \$79,973 and \$83,314, respectively.

UNITRUST AGREEMENTS

The Church is named as beneficiary of various charitable remainder unitrusts and acts as the trustee. These agreements provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of these agreements, the actuarially determined present value of future payments is recorded as a liability. The remaining portion of the trust attributable to the Church's future interest is recorded in the statements of activities as temporarily or permanently restricted contributions in the period received. On an annual basis, the present value of the remaining future liability is revalued based upon actuarial assumptions. Assets held in the charitable remainder unitrusts totaled \$78,250 and \$288,090 at December 31, 2014 and 2013, respectively. The present value of the remaining future liability to be distributed by the Church is calculated using various rates and applicable mortality tables and totaled \$54,062 and \$102,784 at December 31, 2014 and 2013, respectively.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

Unrestricted net assets are those which include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Church to utilize the funds in furtherance of its mission. Unrestricted net assets also include resources invested in property and equipment, "underwater" endowments and funds borrowed from endowments for use in operations.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporarily restricted net assets also include accumulated endowment earnings that are restricted by the donor for a particular purpose or whose use is unrestricted but have not yet been appropriated for expenditure. Temporary restrictions may expire either because certain actions are taken by the Church which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. Generally, the donors of these funds permit the organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

SUPPORT, REVENUE, RECLASSIFICATIONS AND EXPENSES

The Church recognizes gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated amounts. Temporarily restricted net assets are reclassified to unrestricted net assets and recognized in the statements of activities as satisfaction of restrictions when a stipulated time restriction ends or purpose restriction is satisfied.

The Church recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Church recognizes donated services that meet the "specialized skills" requirements under current accounting standards in the statements of activities. The Church reported donated professional services of \$280,400 and \$0- for the years ended December 31, 2014 and 2013, respectively, that meet current accounting standards.

Bequests are recorded as support at the time the Church has an established right to the bequest and the proceeds are measurable.

Assessment income is recorded when earned, which is the period for which the assessments relate. Investment income is recorded in the period it is earned. Other income is recorded when earned.

Expenses are recognized when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefited. The Church incurred no joint costs for the years ending December 31, 2014 and 2013, respectively.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are reported in expenses in the statements of activities. As of December 31, 2014 and 2013, the Church had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain reclassifications were made to the 2013 financial statements in order to conform to the 2014 presentation. These reclassifications had no effect on the change in net assets.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following:

	December 31,	
	2014	2013
Funds set aside for satisfaction of donor restrictions	\$ 694,239	\$ 735,360
Unrestricted operating funds	136,656	42,682
Reserve account	39,384	39,366
St. Sergius Chapel account	18,920	22,687
	<u>\$ 889,199</u>	<u>\$ 840,095</u>

4. ASSESSMENTS AND OTHER ACCOUNTS RECEIVABLE:

Assessments and other accounts receivable consist of the following:

	December 31,	
	2014	2013
Assessments receivable	\$ 76,019	\$ 110,193
Other accounts receivable	16,486	49,864
	<u>\$ 92,505</u>	<u>\$ 160,057</u>

5. BEQUESTS RECEIVABLE:

The Church is a beneficiary in estates for which it was notified of prior to December 31, 2014. The total remaining funds that the Church expects to receive at December 31, 2014 and 2013, are \$554,747 and \$525,025, respectively. The remaining bequests receivable are expected to be collected during 2015.

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Notes to Financial Statements

December 31, 2014 and 2013

6. INVESTMENTS:

Investments at fair value measured on a recurring basis consist of the following:

	December 31, 2014			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 381,117	\$ 381,117	\$ -	\$ -
Certificates of deposit	100,000	-	100,000	-
Negotiable certificates of deposit	170,032	-	170,032	-
U.S. Government agency obligations	158,581	158,581	-	-
Fixed income mutual funds	103,341	103,341	-	-
Annuity investments	89,954	-	89,954	-
Corporate bonds:				
BAA1 credit rating	13,884	-	13,884	-
A1 credit rating	7,621	-	7,621	-
AA3 credit rating	4,992	-	4,992	-
A2 credit rating	3,338	-	3,338	-
AA2 credit rating	2,773	-	2,773	-
A3 credit rating	2,211	-	2,211	-
Total corporate bonds	34,819	-	34,819	-
U.S. Government securities	12,860	12,860	-	-
Municipal bonds	5,163	5,163	-	-
Corporate stocks - consumer goods	1,629	1,629	-	-
	<u>\$ 1,057,496</u>	<u>\$ 662,691</u>	<u>\$ 394,805</u>	<u>\$ -</u>

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

6. INVESTMENTS, continued:

	December 31, 2013			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 298,044	\$ 298,044	\$ -	\$ -
Certificates of deposit	190,000	-	190,000	-
Negotiable certificates of deposit	189,774	-	189,774	-
U.S. Government agency obligations	120,779	120,779	-	-
Fixed income mutual funds	103,201	103,201	-	-
Annuity investments	93,032	-	93,032	-
Corporate bonds:				
BAA1 credit rating	17,685	-	17,685	-
A1 credit rating	7,851	-	7,851	-
AA3 credit rating	4,904	-	4,904	-
A2 credit rating	3,412	-	3,412	-
AA2 credit rating	2,490	-	2,490	-
A3 credit rating	2,294	-	2,294	-
Total corporate bonds	38,636	-	38,636	-
U.S. Government securities	13,224	13,224	-	-
Municipal bonds	5,196	5,196	-	-
Corporate stocks - consumer goods	1,743	1,743	-	-
	<u>\$ 1,053,629</u>	<u>\$ 542,187</u>	<u>\$ 511,442</u>	<u>\$ -</u>

The following provides further detail of the Level 3 fair value measurements for certificates of deposit:

Balance, December 31, 2012	\$ 260,688
Purchases and sales:	
Purchases	-
Sales	(70,688)
Transfers out of Level 3 (a)	<u>(190,000)</u>
Balance, December 31, 2013	<u>\$ -</u>

- (a) The Church's policy is to recognize transfers in and transfers out at the end of the reporting period. Transfers from Level 3 to Level 2 occurred to better reflect the method of evaluation of fair value.

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Notes to Financial Statements

December 31, 2014 and 2013

6. INVESTMENTS, continued:

VALUATION TECHNIQUES

Fair values for money market funds, negotiable certificates of deposit, U.S. Government agency obligations, mutual funds, U.S. Government securities, municipal bonds and corporate stocks are determined by reference to quoted market prices and other relevant information generated by market transactions, when available and are included in Level 1.

Fair values of annuity investments and certificates of deposits are based on other observable inputs including yields for securities of comparable maturity, quality, and type as obtained from market makers. Fair values of corporate bonds for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The corporate bonds and annuity investments are included in Level 2.

Investment income consists of the following:

	December 31,	
	2014	2013
Interest and dividends	\$ 13,046	\$ 15,212
Realized gain (loss)	-	(764)
Unrealized gain (loss)	(1,229)	(3,935)
Investment fees	(4,159)	(4,116)
	<u>\$ 7,658</u>	<u>\$ 6,397</u>

7. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2014	2013
Land	\$ 45,000	\$ 45,000
Buildings and improvements	531,783	531,783
Furniture, fixtures, and equipment	172,295	468,476
Software	33,000	33,000
	<u>782,078</u>	<u>1,078,259</u>
Less: accumulated depreciation	(517,069)	(818,497)
	<u>265,009</u>	<u>259,762</u>
Construction in progress	31,878	-
	<u>\$ 296,887</u>	<u>\$ 259,762</u>

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

8. LOANS PAYABLE:

Loans payable consist of the following:

	December 31,	
	2014	2013
Vehicle note payable, without interest, maturing in February 2017. Monthly principal payments amount to \$881.	\$ 22,048	\$ -

As part of the retirement agreement between the Church and the former Metropolitan, the Church agreed to assume a loan owed by the former Metropolitan to the Diocese of the South with a principal balance of \$42,798. The Church and the Diocese of the South agreed to a three year repayment period without interest commencing in July 2013 and maturing in May 2016. Monthly principal payments amount to \$1,200.

21,198	35,598
<u>\$ 43,246</u>	<u>\$ 35,598</u>

A schedule of future minimum principal payments is as follows:

<u>Year ending December 31,</u>	
2015	\$ 24,984
2016	17,380
2017	882
	<u>\$ 43,246</u>

9. LEASE COMMITMENTS:

The Church leases office equipment under non-cancellable operating leases. Expenses related to these leases amounted to \$18,704 and \$21,838 for the years ending December 31, 2014 and 2013, respectively. Estimated future minimum lease payments by year and in the aggregate under the lease consists of the following:

<u>Year ending December 31,</u>	
2015	\$ 14,628
2016	7,932
	<u>\$ 22,560</u>

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Notes to Financial Statements

December 31, 2014 and 2013

10. RETIREMENT OBLIGATION:

In 2007, the Church entered into an agreement with a former employee whereby the Church agreed to make monthly payments of \$950 to the former employee in lieu of retirement benefits from the separate Orthodox Church in America Pension Plan. The agreement exists to rectify a situation whereby the former employee had been improperly excluded from participation in the Orthodox Church in America Pension Plan, and will continue until the former employee's death. Payments related to this agreement amounted to \$11,400 for both years ending December 31, 2014 and 2013. The actuarially calculated liability for future payments under this obligation amounted to \$47,710 and \$54,178 at December 31, 2014 and 2013, respectively.

11. MULTIEMPLOYER PENSION PLAN:

Substantially all full-time employees participate in The Orthodox Church in America Pension Plan (Plan). This multiemployer plan, administered by the pension board of the Church, is a contributory plan, and provides defined benefits based on years of service and remuneration near retirement. The risks of participating in this multiemployer plan differs from single-employer plans in the following aspects:

- a) Assets contributed to the Plan by one employer may be used to provide benefits to employees of other participating employers;
- b) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers;
- c) If the Church chooses to stop participating in the Plan, it may be required to pay to the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

Eligible employees are all employees of the Church and its related entities, except for employees that are older than age 60 and have not elected to be part of the Plan. Bishops and priests become members of the Plan on the first day of the month after they begin service with the Church. Full-time employees are eligible to participate in the Plan on the first day of the month after their date of hire. Participants with five years of service are entitled to pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option. Pension expense, representing the Church's required contribution to the Plan, was \$53,001 and \$43,437 in 2014 and 2013, respectively. The contributions made by the Church represented approximately 2.39% and 2.35% of the total contributions made to the Plan in 2014 and 2013, respectively. To the extent the Plan is underfunded, future contributions to the Plan may increase.

The Plan is a non-electing church plan which means the Plan sponsor has not elected to be covered by the terms of the Employee Retirement Income Security Act of 1974 (ERISA), and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

11. MULTIEMPLOYER PENSION PLAN, continued:

Contributions from all employers to the Plan for December 31, 2014 and 2013, are as follows:

Pension Fund:	FEIN	2014	2013
Orthodox Church in America Pension Plan	06-1455789	<u>\$ 2,216,045</u>	<u>\$ 1,846,621</u>

As of December 31, 2014, the Plan's total net assets available for benefits were \$27,057,093, and the actuarial present value of accumulated Plan benefits was \$46,332,107. As of December 31, 2013, the Plan's total net assets available for benefits were \$27,315,378 and the actuarial present value of accumulated Plan benefits was \$42,144,166. As of December 31, 2014, the Plan was less than 65% funded.

12. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are as follows:

	December 31,			
	2013	Additions and Other Changes	Releases	2014
Mission appeal	\$ 953,852	\$ 3,599	\$ (25,599)	\$ 931,852
Archives fund	162,087	47,594	(119)	209,562
Restricted endowments excess earnings	142,757	2,530	(1,013)	144,274
General purpose endowment excess earnings	79,308	805	-	80,113
Charity	71,895	1,316	(2,407)	70,804
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	898	10,363	(9,780)	1,481
Other restricted purposes	823	37,678	(38,233)	268
	<u>\$ 1,502,372</u>	<u>\$ 103,885</u>	<u>\$ (77,151)</u>	<u>\$ 1,529,106</u>

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Notes to Financial Statements

December 31, 2014 and 2013

12. TEMPORARILY RESTRICTED NET ASSETS, continued:

	December 31,			
	2012	Additions and Other Changes	Releases	2013
Mission appeal	\$ 929,556	\$ 27,618	\$ (3,322)	\$ 953,852
Archives fund	157,592	7,074	(2,579)	162,087
Restricted endowments excess earnings	142,412	345	-	142,757
General purpose endowment excess earnings	79,125	183	-	79,308
Charity	73,916	1,487	(3,508)	71,895
Theological education - academic fellowship	59,300	-	-	59,300
Publication reserve fund	29,556	-	-	29,556
Chaplain reserve	1,896	-	-	1,896
Seminary appeal	-	27,144	(26,246)	898
Other restricted purposes	33,068	61,925	(94,170)	823
	<u>\$ 1,506,421</u>	<u>\$ 125,776</u>	<u>\$ (129,825)</u>	<u>\$ 1,502,372</u>

13. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of the following:

	December 31,	
	2014	2013
Donor restricted endowments:		
General purposes	\$ 226,748	\$ 224,268
Restricted purposes	775,762	775,762
Permanently restricted charitable remainder unitrust	24,188	23,219
	<u>\$ 1,026,698</u>	<u>\$ 1,023,249</u>

14. ENDOWMENTS:

The Church's endowments consist of approximately 40 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

14. ENDOWMENTS, continued:

The Church classifies as permanently restricted net assets (a) the original value of gifts donated to the donor-restricted permanent endowment, (b) the original value of subsequent gifts to the donor-restricted permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church. The Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Church and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Church
- (7) The investment policies of the Church

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or endowment agreement requires the Church to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$486,611 and \$487,623 at December 31, 2014 and 2013, respectively. \$401,500 of these deficiencies at both December 31, 2014 and 2013, are the result of borrowing from the endowment fund assets for operations, and the remaining \$85,111 and \$86,123 at December 31, 2014 and 2013, respectively, resulted from realized losses that occurred shortly after the market downturn in 2008 and have continued through current. Management intends to utilize funds from an unrestricted bequest expected to be collected subsequent to year end to repay the borrowing from the endowment fund assets.

Return Objectives and Risk Parameters

The Church follows investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Church must hold in perpetuity, or for donor-specified periods. Under this policy, the endowment assets are invested in a manner that is intended to maximize returns while assuming a conservative level of investment risk. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Church relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Church targets a well-diversified and balanced asset allocation that places a greater emphasis on cash and fixed income investments (over 90%) to achieve its long-term return and growth objectives within prudent risk constraints.

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

14. ENDOWMENTS, continued:

Endowment net assets composition by type of fund as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments for:				
General purposes	\$ (139,144)	\$ 80,112	\$ 226,748	\$ 167,716
Restricted purposes	(347,467)	144,274	775,762	572,569
Total endowment funds	<u>\$ (486,611)</u>	<u>\$ 224,386</u>	<u>\$ 1,002,510</u>	<u>\$ 740,285</u>

Changes in endowment net assets for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	<u>\$ (487,623)</u>	<u>\$ 222,065</u>	<u>\$ 1,000,030</u>	<u>\$ 734,472</u>
Investment return:				
Interest and dividend income (net of fees)	-	4,245	-	4,245
Realized and unrealized losses	-	(912)	-	(912)
Total investment return	-	3,333	-	3,333
Contributions	-	-	2,480	2,480
Other changes:				
Change in funds with deficiencies	1,012	(1,012)	-	-
Endowment net assets, December 31, 2014	<u>\$ (486,611)</u>	<u>\$ 224,386</u>	<u>\$ 1,002,510</u>	<u>\$ 740,285</u>

Endowment net assets composition by type of fund as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments for:				
General purposes	\$ (139,143)	\$ 79,308	\$ 224,268	\$ 164,433
Restricted purposes	(348,480)	142,757	775,762	570,039
Total endowment funds	<u>\$ (487,623)</u>	<u>\$ 222,065</u>	<u>\$ 1,000,030</u>	<u>\$ 734,472</u>

THE ORTHODOX CHURCH IN AMERICA

Notes to Financial Statements

December 31, 2014 and 2013

14. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	<u>\$ (487,416)</u>	<u>\$ 221,536</u>	<u>\$ 1,000,030</u>	<u>\$ 734,150</u>
Investment return:				
Interest and dividend income (net of fees)	-	5,366	-	5,366
Realized and unrealized gains	<u>-</u>	<u>(5,044)</u>	<u>-</u>	<u>(5,044)</u>
Total investment return	<u>-</u>	<u>322</u>	<u>-</u>	<u>322</u>
Other changes:				
Change in funds with deficiencies	<u>(207)</u>	<u>207</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2013	<u><u>\$ (487,623)</u></u>	<u><u>\$ 222,065</u></u>	<u><u>\$ 1,000,030</u></u>	<u><u>\$ 734,472</u></u>

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Metropolitan Council
The Orthodox Church in America
Syosset, New York

We have audited the financial statements of The Orthodox Church in America as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated October 22, 2015, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the financial statements as a whole.

Capin Crouse LLP

New York, New York
October 22, 2015

THE ORTHODOX CHURCH IN AMERICA

Supplemental Schedule of Expenses

Year Ended December 31, 2014

	Program	General and Administrative	Development	Totals
Program services, including related salaries:				
Website and public relations	\$ 41,987	\$ -	\$ -	\$ 41,987
Newspaper, sourcebook and calendar	58,139	-	-	58,139
History and archives	101,825	-	-	101,825
External affairs	130,934	-	-	130,934
Charity	7,886	-	-	7,886
Missions and stewardship	120,441	-	-	120,441
Seminaries	9,780	-	-	9,780
Education and community life	17,883	-	-	17,883
Parish and youth ministries	34,727	-	-	34,727
Pastoral life	28,074	-	-	28,074
All-American Council	39,699	-	-	39,699
Supporting services:				
Salaries and stipends	55,974	509,191	84,223	649,388
Payroll taxes and employee benefits	17,659	160,638	26,570	204,867
Donated services	280,400	-	-	280,400
Supplies and other office expenses	18,511	21,159	4,232	43,902
Telephone and internet	7,384	8,856	1,771	18,011
Professional fees and contracted services	24,229	67,162	-	91,391
Travel	76,858	90,515	18,103	185,476
Meetings and conferences	2,357	2,989	552	5,898
Property taxes and town fees	13,198	16,498	3,300	32,996
Repairs and maintenance/building and grounds	29,214	36,518	7,304	73,036
Building utilities	14,923	18,654	3,731	37,308
Postage and shipping	3,967	4,959	992	9,918
Bad debt expense - bequests receivable	-	22,000	-	22,000
Insurance	16,066	20,083	4,017	40,166
Bank and credit card fees	2,651	2,189	438	5,278
Miscellaneous	220	245	55	520
Expenses before depreciation and professional fees - legal	1,154,986	981,656	155,288	2,291,930
Depreciation	13,008	16,260	3,252	32,520
Professional fees - legal	-	24,310	-	24,310
Total Expenses	\$ 1,167,994	\$ 1,022,226	\$ 158,540	\$ 2,348,760

See auditors' report on supplementary information

THE ORTHODOX CHURCH IN AMERICA

Supplemental Schedule of Expenses

Year Ended December 31, 2013

	Program	General and Administrative	Development	Totals
Program services, including related salaries:				
Website and public relations	\$ 24,706	\$ -	\$ -	\$ 24,706
Newspaper, sourcebook and calendar	64,120	-	-	64,120
History and archives	101,441	-	-	101,441
External affairs	147,427	-	-	147,427
Charity	6,300	-	-	6,300
Missions and stewardship	122,270	-	-	122,270
Seminaries	26,247	-	-	26,247
Education and community life	26,841	-	-	26,841
Parish and youth ministries	55,738	-	-	55,738
Pastoral life	27,284	-	-	27,284
All-American Council	11,958	-	-	11,958
Supporting services:				
Salaries and stipends	48,285	548,498	95,500	692,283
Payroll taxes and employee benefits	16,322	185,409	32,282	234,013
Supplies and other office expenses	18,081	18,189	3,638	39,908
Telephone and internet	7,397	9,246	1,849	18,492
Professional fees and contracted services	-	112,273	-	112,273
Travel	85,995	107,109	21,422	214,526
Meetings and conferences	1,519	2,149	380	4,048
Interest expense	514	643	129	1,286
Property taxes and town fees	12,511	15,639	3,128	31,278
Repairs and maintenance/building and grounds	39,083	48,854	9,771	97,708
Building utilities	12,800	16,001	3,200	32,001
Postage and shipping	570	713	143	1,426
Bad debt expense - assessments	-	21,085	-	21,085
Insurance	13,364	16,706	3,341	33,411
Bank and credit card fees	5,168	6,460	1,292	12,920
Miscellaneous	17,137	32,398	4,285	53,820
Expenses before depreciation, amortization and professional fees - legal	893,078	1,141,372	180,360	2,214,810
Depreciation	11,374	14,217	2,843	28,434
Amortization of closing costs	1,230	1,538	308	3,076
Professional fees - legal	-	155,367	-	155,367
Total Expenses	<u>\$ 905,682</u>	<u>\$ 1,312,494</u>	<u>\$ 183,511</u>	<u>\$ 2,401,687</u>

See auditors' report on supplementary information